The Fiscal Monitor

A Publication of the Department of Finance

Highlights

January 2009: budgetary surplus of $37 million

There was a budgetary surplus of $37 million in January 2009, compared to a surplus of $1.2 billion recorded in January 2008. Budgetary revenues were down $2.1 billion, or 9.8 per cent, from January 2008, largely reflecting lower corporate income tax and goods and services tax (GST) revenues. Program expenses decreased by $0.6 billion, or 3.1 per cent, compared to January 2008, reflecting a decrease in operating expenses of departments and agencies. Public debt charges decreased by $0.4 billion compared to January 2008.

April 2008 to January 2009: budgetary surplus of $0.5 billion

For the first ten months of the 2008–09 fiscal year, there was a budgetary surplus of $0.5 billion, down $9.1 billion from the $9.6-billion surplus reported in the same period of 2007–08. Revenues decreased by $3.3 billion, or 1.7 per cent, primarily reflecting declines in corporate income tax and GST revenues, partially offset by growth in personal income tax and other revenues. Program expenses were up $7.5 billion, or 4.7 per cent, due to higher transfer payments, Crown corporation expenses and operating expenses of National Defence. Public debt charges were down $1.7 billion on a year-over-year basis, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Actions to support the availability of credit are reflected in the financial requirement. There was a financial requirement of $67.5 billion in the April to January period of 2008–09 compared to a financial source of $14.3 billion in the same period the previous year. This year-over-year difference reflects $41 billion in initial purchases of insured mortgage pools through Canada Mortgage and Housing Corporation under the Insured Mortgage Purchase Program, as well as the Budget 2007 announcement that the Government would meet all of the borrowing needs of Canada Mortgage and Housing Corporation, the Business Development Bank of Canada and Farm Credit Canada through direct lending.

January 2009

There was a budgetary surplus of $37 million in January 2009, compared to a surplus of $1.2 billion in January 2008.

Budgetary revenues decreased by $2.1 billion, or 9.8 per cent, to $19.6 billion in January 2009.

- Personal income tax revenues declined by $0.1 billion, or 0.9 per cent, in January, reflecting the accrual of $0.4 billion for the monthly cost of Budget 2009 measures.
- Corporate income tax revenues were down $1.5 billion, or 44.4 per cent, reflecting weakness in settlement payments relative to January 2008 as well as lower installment payments for corporations' 2009 tax years.
- Other income tax receipts—withholdings from non-residents—increased by $0.1 billion, or 14.4 per cent.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

- Excise taxes and duties were down $0.8 billion, or 21.1 per cent. GST revenues, which can be volatile on a month-to-month basis, declined by $0.7 billion, or 26.5 per cent. Customs import duties were down $38 million, sales and excise taxes were down $57 million, and revenues from the Air Travellers Security Charge were virtually unchanged.
- Employment Insurance (EI) premium revenues were up $0.1 billion, or 3.0 per cent, as employment levels and wages and salaries remain above 2008 levels. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, sales of goods and services, returns on investments, foreign exchange revenues and miscellaneous revenues, were up $0.2 billion, or 10.2 per cent.

Program expenses in January 2009 were $17.2 billion, down $0.6 billion, or 3.1 per cent, from January 2008, largely reflecting a decrease in operating expenses of departments and agencies.

In January 2009, transfer payments were up $0.1 billion, or 0.5 per cent, from January 2008.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, increased $0.2 billion, or 4.7 per cent, in January 2009. Elderly benefits and EI benefit payments each increased $0.1 billion, and children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased $13 million.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were up $0.2 billion, or 4.9 per cent.
- Subsidies and other transfers decreased by $0.4 billion, or 13.1 per cent.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses decreased by $0.6 billion, or 10.3 per cent, over the prior year.

Public debt charges declined $0.4 billion compared to January 2008, as the impact of the increase in the stock of interest-bearing debt was more than offset by a decrease in the average effective interest rate on that stock.

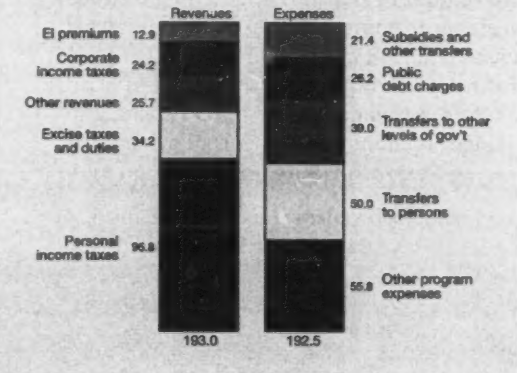
April 2008 to January 2009

Through the first ten months of the 2008–09 fiscal year, there was a budgetary surplus of $0.5 billion, down $9.1 billion from the $9.6-billion surplus reported during the same period of 2007–08.

Budgetary revenues decreased by $3.3 billion, or 1.7 per cent, to $193.0 billion.

- Personal income tax revenues rose $3.9 billion, or 4.2 per cent.
- Corporate income tax revenues were down $6.5 billion, or 21.2 per cent. This decline reflects both weaker profits and the impact of ongoing tax reductions.
- Other income tax receipts—withholdings from non-residents—rose $0.6 billion, or 11.4 per cent.

Revenues and expenses
(April 2008 to January 2009)



- Excise taxes and duties decreased $3.7 billion, or 9.8 per cent. GST revenues were down $3.8 billion, or 14.6 per cent, reflecting the 1-percentage-point reduction in the GST rate effective January 1, 2008. Customs import duties increased by $0.2 billion, sales and excise taxes were down $0.1 billion, and revenues from the Air Travellers Security Charge were virtually unchanged.
- EI premium revenues were up $0.1 billion, or 0.9 per cent, as the decline in the premium rate from $1.80 to $1.73 per $100 of insurable earnings, effective January 1, 2008, was more than offset by gains in employment and wages and salaries.
- Other revenues rose $2.4 billion, or 13.2 per cent. As noted in the October *Fiscal Monitor*, other revenues (and corresponding operating expenses) for 2007–08 have been restated. This adjustment has no net impact on the budgetary balance.

Program expenses from April 2008 to January 2009 were $166.2 billion, up $7.5 billion, or 4.7 per cent, from the same period the previous year, reflecting an increase in transfer payments, Crown corporation expenses and operating expenses of National Defence.

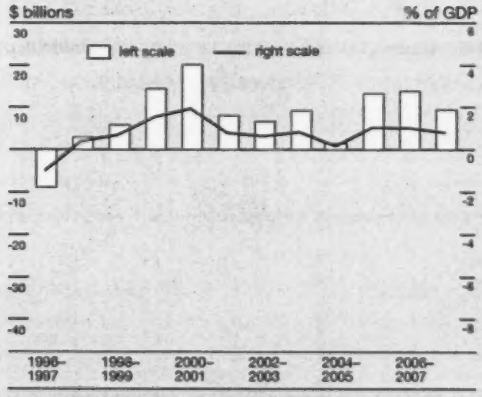
From April to January, transfer payments increased $6.3 billion, or 6.1 per cent, from the same period the previous year.

- Major transfers to persons were up $2.0 billion, or 4.2 per cent, year-to-date. Elderly benefits increased 4.3 per cent and EI benefit payments increased 7.4 per cent. Children's benefits increased 0.5 per cent.
- Major transfers to other levels of government were up $2.4 billion, or 6.6 per cent, reflecting legislated growth in the Canada Health Transfer, Canada Social Transfer and Equalization.
- Subsidies and other transfers were up $1.9 billion, or 9.6 per cent, mainly reflecting increases in payments related to support for labour market training and higher transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses increased $1.1 billion, or 2.0 per cent, from the previous year's level.

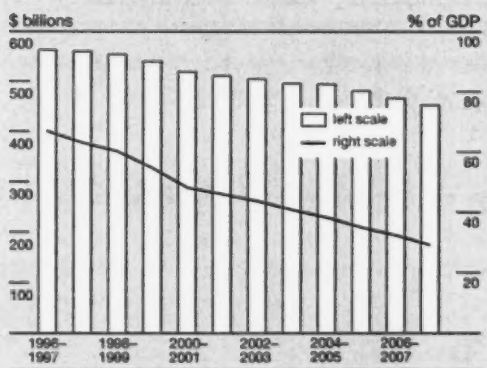
Public debt charges decreased $1.7 billion, or 6.0 per cent, reflecting lower interest rates.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Financial requirement of $67.5 billion for April 2008 to January 2009

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $0.5 billion and a requirement of $68.0 billion from non-budgetary transactions, there was a financial requirement of $67.5 billion in the April to January period of 2008–09 compared to a financial source of $14.3 billion in the same period the previous year. This year-over-year difference reflects the Budget 2007 announcement that the Government would meet all of the borrowing needs of Canada Mortgage and Housing Corporation, the Business Development Bank of Canada and Farm Credit Canada through direct lending in order to reduce overall borrowing costs and improve the liquidity of the government securities market. The financial requirement also reflects $41 billion in initial purchases of insured mortgage pools through Canada Mortgage and Housing Corporation under the Insured Mortgage Purchase Program to support the availability of longer-term credit. The requirement for foreign exchange activities mainly reflects the impact of exchange rate movements on the Canadian dollar value of foreign-denominated assets.

Net financing activities up $92.7 billion

The Government financed this financial requirement of $67.5 billion and increased its cash balances by $25.2 billion by increasing unmatured debt by $92.7 billion. The increase in debt was achieved largely through the issuance of treasury bills and marketable bonds. Cash balances at the end of January 2009 stood at $36.5 billion, $32.4 billion above their level at the end of January 2008. The increase in cash balances over the prior year mainly reflects increased balances at the Bank of Canada to support the Bank's operations to provide liquidity to financial markets and to cover some of the Government's own funding needs for the Insured Mortgage Purchase Program.

Table 1
Summary statement of transactions

	January		April to January	
	2008	2009	2007–08	2008–09
		($ millions)		
Budgetary transactions				
Revenues	21,707	19,589	196,316	192,975
Expenses				
Program expenses	-17,745	-17,187	-158,798	-166,249
Public debt charges	-2,802	-2,365	-27,912	-26,230
Budgetary balance (deficit/surplus)	1,160	37	9,606	496
Non-budgetary transactions	-2,496	-17,361	4,646	-68,031
Financial source/requirement	-1,336	-17,324	14,252	-67,535
Net change in financing activities	-193	18,782	-31,431	92,749
Net change in cash balances	-1,529	1,458	-17,179	25,214
Cash balance at end of period			4,023	36,458

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Budgetary revenues

	January			April to January		
	2008	2009	Change	2007–08	2008–09	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	9,959	9,868	-0.9	91,947	95,828	4.2
Corporate income tax	3,414	1,899	-44.4	30,788	24,249	-21.2
Other income tax	662	757	14.4	4,833	5,385	11.4
Total income tax	14,035	12,524	-10.8	127,568	125,462	-1.7
Excise taxes and duties						
Goods and services tax	2,827	2,079	-26.5	26,218	22,398	-14.6
Customs import duties	377	339	-10.1	3,220	3,393	5.4
Sales and excise taxes	770	713	-7.4	8,208	8,127	-1.0
Air Travellers Security Charge	29	27	-6.9	320	318	-0.6
Total excise taxes and duties	4,003	3,158	-21.1	37,966	34,236	-9.8
Total tax revenues	18,038	15,682	-13.1	165,534	159,698	-3.5
Employment Insurance premiums	1,880	1,936	3.0	12,822	12,939	0.9
Other revenues	1,789	1,971	10.2	17,960	20,338	13.2
Total budgetary revenues	21,707	19,589	-9.8	196,316	192,975	-1.7

Note: Totals may not add due to rounding.

Table 3

Budgetary expenses

	January			April to January		
	2008	2009	Change	2007–08	2008–09	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,689	2,836	5.5	26,479	27,606	4.3
Employment Insurance benefits	1,610	1,697	5.4	11,549	12,401	7.4
Children's benefits	994	1,007	1.3	9,952	10,002	0.5
Total	5,293	5,540	4.7	47,980	50,009	4.2
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,798	1,886	4.9	17,869	18,858	5.5
Canada Social Transfer	833	880	5.6	8,180	8,798	7.6
Total	2,631	2,766	5.1	26,049	27,656	6.2
Fiscal transfers	1,281	1,342	4.8	12,298	12,973	5.5
Canada's cities and communities	15	26	73.3	736	856	16.3
Alternative Payments for Standing Programs	-249	-277	11.2	-2,530	-2,506	-0.9
Total	3,678	3,857	4.9	36,553	38,979	6.6
Subsidies and other transfers						
Agriculture and Agri-Food	212	112	-47.2	1,922	1,429	-25.7
Foreign Affairs and International Trade	244	352	44.3	2,082	2,447	17.5
Health	232	229	-1.3	1,710	1,872	9.5
Human Resources and Skills Development	278	385	38.5	1,504	2,002	33.1
Indian Affairs and Northern Development	369	477	29.3	4,060	4,189	3.2
Industry	110	206	87.3	1,590	1,765	11.0
Other	1,375	689	-49.9	6,669	7,713	15.7
Total	2,820	2,450	-13.1	19,537	21,417	9.6
Total transfer payments	11,791	11,847	0.5	104,070	110,405	6.1
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	59	93	57.6	986	930	-5.7
Canada Mortgage and Housing Corporation	211	189	-10.4	1,684	1,890	12.2
Other	232	339	46.1	3,269	3,594	9.9
Total	502	621	23.7	5,939	6,414	8.0
Defence	1,603	1,514	-5.6	14,448	15,268	5.7
All other departments and agencies	3,849	3,205	-16.7	34,341	34,162	-0.5
Total other program expenses	5,954	5,340	-10.3	54,728	55,844	2.0
Total program expenses	17,745	17,187	-3.1	158,798	166,249	4.7
Public debt charges	2,802	2,365	-15.6	27,912	26,230	-6.0
Total budgetary expenses	20,547	19,552	-4.8	186,710	192,479	3.1

Note: Totals may not add due to rounding.

Table 4

The budgetary balance and financial source/requirement

	January		April to January	
	2008	2009	2007–08	2008–09
		($ millions)		
Budgetary balance (deficit/surplus)	1,160	37	9,606	496
Non-budgetary transactions				
Capital investing activities	-303	-246	-1,960	-3,003
Other investing activities	-1,506	-17,194	-3,079	-58,743
Pension and other liabilities	-1,348	125	4,035	3,849
Other activities				
Accounts payable, receivables, accruals and allowances	1,530	-719	142	-5,698
Foreign exchange activities	-1,157	450	3,620	-7,186
Amortization of tangible capital assets	288	223	1,888	2,750
Total other activities	661	-46	5,650	-10,134
Total non-budgetary transactions	-2,496	-17,361	4,646	-68,031
Financial source/requirement	-1,336	-17,324	14,252	-67,535

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	January		April to January	
	2008	2009	2007–08	2008–09
		($ millions)		
Financial source/requirement	-1,336	-17,324	14,252	-67,535
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	168	9,073	-7,290	19,767
Treasury bills	-1,500	10,000	-19,800	69,800
Canada Savings Bonds	-19	89	-1,957	-590
Other	0	0	-699	-519
Total	-1,351	19,162	-29,746	88,458
Foreign currency borrowings	222	785	-875	628
Total	-1,129	19,947	-30,621	89,086
Cross-currency swap revaluation	656	-1,298	-2,233	3,222
Unamortized discounts on debt issues	297	136	316	549
Obligations related to capital leases	-17	-3	1,107	-108
Net change in financing activities	-193	18,782	-31,431	92,749
Change in cash balance	-1,529	1,458	-17,179	25,214

Note: Totals may not add due to rounding.

Table 6

Condensed statement of assets and liabilities

	March 31, 2008	January 31, 2009	Change
		($ millions)	
Liabilities			
Accounts payable and accrued liabilities	110,463	102,715	-7,748
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	253,550	273,317	19,767
Treasury bills	116,936	186,736	69,800
Canada Savings Bonds	13,068	12,478	-590
Other	1,042	523	-519
Subtotal	384,596	473,054	88,458
Payable in foreign currencies	9,498	10,126	628
Cross-currency swap revaluation account	-1,420	1,802	3,222
Unamortized discounts and premiums on market debt	-6,213	-5,664	549
Obligations related to capital leases	4,236	4,128	-108
Total unmatured debt	390,697	483,446	92,749
Pension and other liabilities			
Public sector pensions	137,371	139,319	1,948
Other employee and veteran future benefits	47,901	49,999	2,098
Other liabilities	5,895	5,698	-197
Total pension and other liabilities	191,167	195,016	3,849
Total interest-bearing debt	581,864	678,462	96,598
Total liabilities	692,327	781,177	88,850
Financial assets			
Cash and accounts receivable	82,878	106,042	23,164
Foreign exchange accounts	42,299	49,485	7,186
Loans, investments and advances (net of allowances)	50,869	109,612	58,743
Total financial assets	176,046	265,139	89,093
Net debt	516,281	516,038	-243
Non-financial assets	58,644	58,897	253
Federal debt (accumulated deficit)	457,637	457,141	-496

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Chris Forbes at 613-995-6391.
Ce document est également offert en français.
March 2009